

Message Text

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 1888

C O N F I D E N T I A L KINSHASA 2602

E.O. 11652: GDS

TAGS: ECON, EFIN, CG

SUBJECT: CIS WINS RESPITE

REF: KINSHASA 2421, 2436

1. IECO VP KOHNE DEPARTED KINSHASA MARCH 27 PLEASED WITH RESULTS HIS TALKS WITH BISENGIMANA, SAMBWA, NZEZA AND MINISTER OF PUBLIC WORKS TAKIZALA (LATTER REPORTED SEPTTEL). IN ADDITION TO PAYMENT OF Z2 MILLION REPORTED EARLIER, NZEZA IS WRITING GOVERNOR SAMBWA OF BANQUE DU ZAIRE REQUESTING OPEN-ENDED LINE OF CREDIT FOR SNEL TO USE FOR CIS LOCAL CURRENCY EXPENSES. GOVERNOR SAMBWA UNEQUIVOCALLY TOLD KOHNE THAT LINE OF CREDIT WOULD BE PROVIDED. BISENGIMANA ALSO CONFIRMED THIS.

2. KOHNE ALSO IMPRESSED ON ABOVE OFFICIALS (EXCEPT TAKIZALA) URGENT NECESSITY PAYING EXIMBANK \$1.2 MILLION ON INGA-SHABA LOAN IN ADDITION TO PAYING FNCB \$6.3 MILLION OVERDUE ON BOP LOAN AND \$1.4 MILLION OVERDUE ON AIRCRAFT LOAN. KOHNE ALSO STRESSED NEED TO HAVE SYSTEM WHEREBY PAYMENTS DUE TO EXIMBANK AND COMMERCIAL BANKS ARE MADE ON TIME.

3. KOHNE, IN DISCUSSIONS WITH SNEL, HAS DEVELOPED LETTER TO EXIMBANK (COPY POUCHED AF/C) REQUESTING FLEXIBILITY ON 15 PERCENT LIMITATION FOR LOCAL GOODS AND SERVICES. NZEZA ARGUES 15 PERCENT SHOULD APPLY TO AGGREGATE PURCHASE PRICE OF US ITEMS FOR WHICH PURCHASE ORDERS HAVE BEEN APPROVED AND RELEASED TO VENDORS, AND NOT RPT NOT AGAINST AGGREGATE DISBURSEMENTS AGAINST THE ITEMS. WHILE LARGE COMMITMENTS ARE
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MADE TO US SUPPLIERS EARLY IN THE PROJECT, BECAUSE OF THE

SPECIALIZED NATURE OF THE EQUIPMENT, ACTUAL DISBURSEMENTS OCCUR MUCH LATER. ON THE OTHER HAND, HEAVY LOCAL COSTS FOR LABOR, CEMENT, TRANSPORTATION AND CONSTRUCTION OCCUR EARLY AND EXCEED 15 PERCENT OF THE DISBURSEMENTS THEREBY CREATING SCHEDULING DIFFICULTIES. KOHNE, SNEL AND CIS ARE HOPEFUL EXIMBANK WILL AGREE TO THIS INTERPRETATION OF 15 PERCENT PROVISION OF ARTICLE VII, SECTION 702(B) OF INGA-SHABA LOAN.

4. NZEZA AND KOHNE ARE EXERCISED OVER TACTICS BEING EMPLOYED BY FNCB. EVEN THOUGH EXIMBANK HAS GUARANTEED DRAWDONS 9 AND 10, TOTALLING \$2.5 MILLION AND RELEASE HAS BEEN APPROVED BY SYNDICATE, FNCB IS HOLDING BACK PENDING PAYMENT OF \$6.3 MILLION OVERDUE ON BOP LOAN. THERE IS SOME DOUBT IN THEIR MINDS AS TO FNCB'S LEGAL RIGHT TO MAKE SUCH LINKAGE, AND KOHNE WILL PRESUMABLY URGE MORRISON-KNUDSEN TO WEIGH IN WITH FNCB ON THIS POINT.

5. IN HIS SECOND AND FINAL MEETING WITH NZEZA, LATTER HAD IN MEANTIME SEEN BISENGIMANA WHO HAD INSTRUCTED HIM TO MEET WITH LEVIHN, SPINK AND OTHERS WHEN SO REQUESTED RATHER THAN SEEKING TO EVADE HIS RESPONSIBILITIES.

6. COMMENT: WE UNDERSTAND AND SYMPATHIZE WITH CIS AND SNEL ON FNCB'S LINKAGE TACTICS, AND WOULD APPRECIATE DEPT'S MAKING CLEAR TO FNCB TACTIC COULD BACKFIRE.
HINTON

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